



Credit Union Opportunities



CREDIT UNIONS PARTNER UP TO MAKE DREAMS REALITY

BY BILL BERENS

KALEIDOSCOPE - What seems like only a ripple today can become tomorrow's tsunami. A decade ago, if we had tried to imagine how much our world might change in the next 10 years, I doubt that we could have anticipated the scope and scale of the changes that we are experiencing. We are witnessing the single greatest migration the world has yet to know. People are moving from the south to the north and from the east to the west -- all gravitating toward the centers of technology. The U.S.

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COMMUNITY FOCUS LEADS TO GROWTH



BY MICHAEL CASTELLANA

SEFCU, formerly known as State Employees Federal Credit Union, recently surpassed the \$1 billion mark in assets. Today, more than 700 member groups and 116,000 members enjoy a full range of financial services.

CUSTOM LOAN PRODUCTS - Some of our more unique programs are:

- ☒ **Credit Builder** - those having difficulty in obtaining a traditional loan can borrow at a slightly higher rate, complete

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COOPERATION IS KEY

BY RON EHRENREICH



Its first office was a 5 foot by 6 foot closet on the back porch of a neighborhood food co-op. Steeped in the values of the cooperative movement, the **Syracuse Cooperative Federal Credit Union** (SCFCU) has often turned to cooperation and partnership to accomplish what it could not

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FREDDIE MAC & HOMEOWNERSHIP



BY DAVE STEVENS

The fastest growing community in America today is the Latino community. At Freddie Mac, we believe that the best strategy to approach the mortgage needs of Latino borrowers is to approach from all sides. Just as one mortgage product doesn't meet the need of every borrower, neither can one solution meet the needs of such a large and diverse community. To assist credit unions in increasing the homeownership rate for Latinos (which is still below 50 percent nationwide), we're already doing several things:

- ✍ Enhancing outreach to credit unions;
- ✍ Delivering products and technology that meet diverse borrower needs; and
- ✍ Increasing opportunities to educate new homebuyers about the mortgage process.

Changing demographics, where Latino homebuyers play a large role, is shaping the competitive marketplace of the 21st century. Credit unions have had great success reaching a larger number of members looking for home financing, and have increased their origination of mortgages each of the past three years.

To continue that success, credit unions need a

strategy to reach out to first-time homebuyers and to immigrants. Why? Economists estimate that 15 percent of all the homes purchased in this decade will be bought by first-time homebuyers, and that millions more immigrants will come to the United States. During the 1990s, more than nine million immigrants came to the United States and many of these became homeowners.

To meet the needs of these new homebuyers, credit unions can tap a menu of mortgage products from Freddie Mac. Moreover, credit unions that are participating in the alliance announced in December 2002 between Freddie Mac, the Credit Union National Association (CUNA), and CUNA Mutual Mortgage have enhanced access to products, technology and marketing.

Freddie Mac can't reach our goal alone. Working with credit unions individually or through alliances like the Freddie Mac/CUNA Alliance is critical to success because that is how we can leverage what we do best with what lenders do best. The result is enormous opportunity for credit unions, Freddie Mac and most of all, home buyers. The Freddie Mac/CUNA alliance leverages the lending and community outreach expertise of credit unions with the product, technology, and secondary marketing tools from Freddie Mac. Among these secondary marketing tools are securitization

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Your comments, ideas, suggestions and stories are welcomed by **Credit Union Opportunities**

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1775 Duke Street, Alexandria, VA 22314, or E-mail us at **OCUDMAIL@NCUA.GOV**

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WISCONSIN FARM LOANS

BY DIANNE JENTZ

Heartland Credit Union, Madison, WI (assets \$94.5 million) utilizes various FSA/USDA programs. We use their guaranteed loan programs which offer 90 percent guarantees on approved loans whether they be farm personal property (G-OL loans), real estate (G-FO loans) and/or operating loans (G-LOC loans). These programs allow us to manage our risk at the credit union and enable younger individuals to start a career in farming and also help existing farmers with lower equity positions and/or tighter cash flows. We also work with the FSA beginning farmer programs to help farmers purchase real estate. These programs consist of the 50-50 program where we, as the lender, provide the first 50 percent of the financing (purchase) at current rates and FSA provides the other 50 percent of the financing under their direct loan program at minimal rates fixed for a 40 year term. There is also the 60-30-10 program where the lender finances the first 60 percent of the purchase at current rates, FSA provides 30 percent of the financing under their direct loan program at minimal rates fixed for a 10 year period and the borrower provides the other 10 percent of the purchase. We have recently begun using a new FSA program called the Low-Doc program. This program requires less documentation in the application process and is for operating loans. This program was just announced in March, 2003 but to date, we've already submitted and processed 2 applications for the program.

In addition to the FSA programs, we also are an approved lender in the WHEDA crop program. These loans are set up for a 1 year term, maximum amount of \$20,000 and used for crop financing.

These programs work and we're experiencing a lot of successes, as are our members, with them.

To learn more about Heartland Credit Union or the member business loan program, please contact Dianne Jentz at dianne@heartlandcu.org.



Dianne Jentz oversees Member Business Loans.
Heartland Credit Union, Madison, WI

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and whole-loan sales. Both give credit unions more asset/liability management options and create more efficient organizations and free up capital for more mortgage lending.

And our mortgage products come in all types to meet the diverse needs of your customers. Two big obstacles for many first-time homebuyers are lack of down-payment and blemished credit. To help credit unions serve their customers – Latinos and non-Latinos – we have mortgage products that require just three percent down payments, and in some cases the three percent doesn't have to come from the borrower. We also have zero percent down payment mortgages for borrowers with excellent credit. For borrowers who have blemished credit, our Affordable Merit Rate® mortgage may be a lower cost alternative than other financing sources.

Freddie Mac also provides the technology to process mortgage applications faster and to reach more borrowers through Loan Prospector®, Freddie Mac's automated underwriting system.

Loan Prospector is the best way to evaluate a mortgage application and our research has shown that it is more effective in expanding homeownership opportunities than manual underwriting. Many Latino borrowers, particularly new immigrants have non-traditional credit backgrounds or employment histories. We have guidelines and tools that can help credit unions evaluate these and other criteria quickly and fairly and help credit unions assess more borrowers.

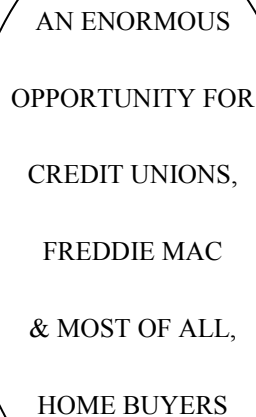
And to bring Latino borrowers to your doors, Freddie Mac suggests that credit unions reach out and develop arrangements with local Latino community groups that have the trust and confidence of people in the community. Last year, we launched CreditSmart Español, a comprehensive, nationwide bi-lingual credit education program, with seven of the country's leading Latino organizations. CreditSmart Español is designed to help Latinos build and maintain good credit in order to become homeowners.

In a separate initiative, we're working with the National Council of LaRaza, the National Association of Hispanic Real Estate Professionals and EMT Applications, a Latino-owned technology firm to deploy CounselorMAX.

CounselorMAX is a web-based tool used by housing counselors to educate mainly Latino homebuyers about the process. Credit unions can work with Freddie Mac in developing relationships with these organizations and reach deeper into the Latino community creating greater homeownership opportunities around the country.

Freddie Mac is committed to increasing Latino homeownership opportunities. These are just some of the ways that we know credit unions can work with us.

Dave Stevens, is a Senior Vice President,
Single Family Lending, Freddie Mac



AN ENORMOUS
OPPORTUNITY FOR
CREDIT UNIONS,
FREDDIE MAC
& MOST OF ALL,
HOME BUYERS

Business Loan Opportunity

Recent changes by the Small Business Administration and by the NCUA Board further the Agency's Access Across America initiatives by opening another door to financial security for low- to moderate- income credit union members. Credit unions now have the opportunity to offer members a new source of credit, to help entrepreneurs with start-up business capital, to grow their businesses, to provide their families with a new sense of financial security and to improve the economic development of their communities. Surveys indicate there are millions of small-business owners in credit unions' fields of membership. Many credit unions have successful small business-lending programs in place. Small business lending isn't appropriate for every credit union.

On February 14, 2003, the U.S. Small Business Administration (SBA) opened the door to more credit unions by welcoming all credit unions regardless of field of membership type that can meet SBA certification requirements to participate in the SBA 7(a) program.

The NCUA Board applauded SBA's action as demonstrating the benefits of partnering; eliminating obstacles to the delivery of credit to the small business community; and allowing more credit unions to positively serve their members

and impact their communities through being a conduit for start-up business capital.

To help credit unions further facilitate the small business lending process, the NCUA Board on March 27, 2003, amended its business lending regulations. To learn more about the NCUA Board's changes to the member business loan rule, logon to the NCUA Web site at www.ncua.gov.

For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA. Also, visit the SBA's extensive Web site at www.sba.gov.

You can also visit NCUA's web site for articles and newsletters on SBA in the Office of Credit Union Development Web Page Newsletters.

FUTURE SBA CONFERENCE EVENTS

June 11-13, 2003: Mid-Atlantic Lenders' Conference 2003, rocky Gap Lodge & Golf Resort, Cumberland, MD, for information call Fred Schultz, Conference Coordinator at 202-296-5208.

August 11-13, 2003: Mid-America Lenders' Conference in Austin, Texas, August 11-13, 2003, call Mary Peters, Conference Coordinator at 210-458-2468 or 210-458-2450.



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a home study course on building and maintaining good credit, and get annual rate reductions on their loan if they make on time payments for twelve months.

☑ **First Loan** - members who haven't yet established credit can get the cash needed to purchase their first vehicle.

☑ **Mortgage Match** - offers matching funds up to \$5,000 toward the down payment on a house. In addition, SEFCU is approved to finance Section 8 loans.

☑ **Small Business** - SBA 7(A) loans help small businesses obtain the capital needed to grow.

☑ **Energy Smart** - SEFCU in conjunction with the New York State Energy Research and Development Authority offers both homeowners and businesses the opportunity to borrow at exceptionally low rates to increase the energy efficiency of their properties.



CU BRANCH WAS BORN Grass roots efforts were resurrected in 1999 when a local group of concerned community leaders watched commercial banks and regional savings institutions gradually move out of their neighborhoods. The Albany Street Branch was born after NCUA granted a charter expansion to include the entire City of Schenectady and the credit unions partnered with a new business incubator. It now serves more than 3,200

members. The credit union has increased its number of member households with annual income below \$20 thousand by 92 percent and has grown loans for this group by nearly 225 percent. Increases in membership among households with \$20-\$30 thousand in annual income reached 63 percent and loans among this group rose by 154 percent. The success of this project led to the addition of another Schenectady branch in the heart of the city's downtown and the expansion of the credit union's charter to include seven additional underserved cities to its service area.

MAINTAINING THE CREDIT UNION OPTION Community leaders and residents in the Arbor Hill neighborhood of the City of Albany, New York banded together to establish a new credit union to serve their neighborhood. SEFCU's President, Patrick Calhoun, routinely met with the new credit union's organizers to assist them with regulatory documents, serve as a sounding board for product offering ideas, and to help ensure that the new cooperative got on its organizational feet. After a few years of operation, the credit union found it increasingly difficult to meet the needs of its community and approached SEFCU for a possible merger. In 2003, more than 300 members of the Albany credit union joined SEFCU's ranks.

THE SEFCU FOUNDATION

For more than 10 years, SEFCU has supported children in need throughout its service areas in the Capital Region, Binghamton, and Syracuse through



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the work of The SEFCU Foundation. Both the funds and time contributed by the Foundation to children's organizations throughout New York State come mainly from SEFCU's nearly 300 employees and board volunteers. In 2002 alone, contributions totaled more than \$80,000. Included in these community-focused donations was more than \$32,000 raised by staff and SEFCU members to assist the families of Engine Company 214/Ladder Company 111 of the New York Fire Department whose fathers lost their lives on September 11, 2001.

COMMUNITY SERVICE The credit union's success reflects a corporate culture that is dedicated to member service and the well-being of the communities served.



To learn more about SEFCU and how it does business, log on to SEFCU's Web site at SEFCU.org.

Michael J. Castellana is SEFCU's
Chief Operating Officer

DID YOU KNOW



- ☑ Qualified low-income designated credit unions can borrow funds at extremely affordable rates from NCUA's Community Development Revolving Loan Fund. For more details, visit the NCUA Office of Credit Union Development Web site at <http://www.ncua.gov/org/orgchart/ocud/index.html>.
- ☑ Treasury's CDFI Web site now has 2000 census data available to help you develop your plan for expansion into underserved areas. It's only a link away - <http://www.ncua.gov/org/orgchart/ocud/invest-area.html>.
- ☑ In 2002, over 19 million low- and moderate-income workers claimed Earned Income Credits worth more than \$31 billion. 52 VITA sites nationwide assisted more than 1.7 million taxpayers. For more information visit the NCUA Web site <http://www.ncua.gov/ref/letters/02-FCU-14.htm>
- ☑ The Vigo remittance Corporation reported \$32 billion in remittances to Latin American countries in 2002. For more information about the IRnet, remittances and serving the Latino community visit the NCUA Web site at <http://www.ncua.gov/org/orgchart/ocud/newsletters/2002Jun30issue.pdf>
- ☑ NCUA and other FFIEC member agencies have begun releasing a series of Information Technology booklets to update the 1996 FFIEC Information Systems Examination Handbook. The first booklet, Information Security, and accompanying presentation is available at the following link: <http://www.ffiec.gov/ffiecinfbase/index.html>

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population more than tripled from 76 million in 1900 to 281 million in 2000. The growth of 32.7 million people in the 1990s represented the largest numerical increase of any decade in U.S. history.

THE NEW AMERICANS - There are 30 million immigrants in the United States (Census 2000). Each year about one million new immigrants arrive. During the 1990s, minorities accounted for almost 70 percent of the total U.S. population growth. Between 1998 and 2001 about 45 percent of the population increase was due to net immigration. In the last two decades of the century, the Asian and Pacific Islander population tripled, and the Hispanic population more than doubled.

In the first decade of the 21st century, the Census Bureau projects that minorities will account for almost 80 percent of the total population increase. Much of this growth is being driven by a burgeoning foreign-born population accounting for one of every nine Americans. In fact:

- ✍ One of every four foreign-born immigrants comes from Asia.
- ✍ One out of every two foreign-born immigrants comes from Latin America. Mexico is by far the single largest country of origin for America's newcomers: more than one-quarter of this population.

The New Americans, when compared to all American adults, are three times as likely to rank home buying as their number one priority followed by ownership of a small business—yet

they remain a largely untapped market.

VIABLE MARKET - A new paradigm has begun to emerge in the U.S. finance system. A perspective that views historically underserved populations and communities as a viable market. This publication highlights three credit unions that are embracing this new paradigm. Their management teams are committed to serve this population and have implemented outreach programs, prioritized member education and counseling, and offered innovative share accounts and loan products with flexible underwriting.

BARRIERS TO THE AMERICAN DREAM - There are obstacles to overcome. First and foremost for the new Americans and their potential credit unions, there is often a language to learn and significant cultural differences to both adopt and adapt. Not having experience with or trust in financial institutions; lack of steady employment; little knowledge of the credit system in the U.S. and need of credit history are challenges to be faced. Unfortunately, often these barriers to inclusion in the financial mainstream are mutually reinforcing and self-perpetuating in nature.

PREPARE THE WAY - Credit unions seeking to reach out to our New Americans must address cultural assumptions; breach language barriers; replace conventional tools used to measure credit worthiness with innovative approaches, and tailor share and loan products to the needs of these potential members. In preparing the way, credit unions need to look inward, determine the

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core corporate values to hold inviolate and those values where flexibility exists. The best practices show that reaching the new Americans hinges on key institutional strategies:

- ✍ Understanding the immigrant markets.
- ✍ Creating institutional capacity and partnerships.
- ✍ Training management and staff.
- ✍ Initiating an aggressive community outreach program.
- ✍ Implementing financial literacy and counseling programs.

COOPERATION IS KEY - Establishing cooperative partnerships with private and government agencies is often the key to success. The Neighborhood Reinvestment Corporation through its NeighborWorks Organizations, Freddie Mac and SBA have extensive programs and links on their Web sites that can help you better serve your members. We report in this issue how Syracuse Cooperative FCU is addressing the affordable housing issue in Syracuse, New York.

COMMUNITY FOCUS - Identifying market segments within your field of membership community involves both research and networking:

- ✍ Census data provides details of a community's ethnicity by zip codes.
- ✍ Local school districts and housing offices are sources of community information.
- ✍ Focus groups learn more about the emerging and underserved market's needs.
- ✍ The State Refugee Coordinator Office facilitates contact with new immigrant populations.

- ✍ Networking creates synergistic service relationships among credit unions, mortgage brokers, realtors, as well as faith-based and ethnic community organizations.

WELCOME YOUR MEMBER — Successful credit unions create a welcoming atmosphere with a bilingual staff that reflects the cultural diversity of the membership.

COMMIT TO COMMUNITY SERVICE — Practitioners become a vital and integral part of the community, interact with actual and potential members at informal community celebrations and gatherings, market through local media sensitive to language and culture, and support established neighborhood institutions (e.g., community groups, churches). In this issue see how SEFCU's commitment to community service leads to growth.

TEACH

FINANCIAL EDUCATION — Financial education programs help families build basic life skills and to become aware of common financial pitfalls and how to avoid them.

DREAMS CAN BECOME REALITY WHEN CREDIT UNIONS PARTNER UP

— Effective partnerships expand access to unique resources and networks that enhance institutional capacity and service to members. This issue of "Credit Union Opportunities" features articles from credit unions and government agencies. Each shares with us their unique perspective of how partnering can make dreams reality for credit union members.



Bill Berens is an Analyst in the NCUA Office of Credit Union Development

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do alone.

The CU's field of membership is comprised of 26 nonprofit community organizations, four neighborhood-based small businesses and an underserved neighborhood. The CU regularly brings together its FOM groups to collaborate among themselves and with others.

SCFCU is a community development credit union (assets \$7.8 million) with offices in two low-income neighborhoods. Syracuse, located in central New York State, is an economically distressed 'rust-belt' city. Declining population for over two decades led to thousands of vacant houses. The depressed real estate market created an opportunity for SCFCU to help make many of its low- and moderate- income members into a new class of first-time homeowners. A real-estate lender since 1986, close to 80% of SCFCU loans are mortgages. Its Ready-Set-Go service prepares members for home ownership through education, counseling, and coaching coupled with savings plans, debt consolidation, credit repair, and a new individual development account (IDA).

SCFCU relies on partnerships to increase its effectiveness in areas like home ownership and small business development. One example of the use of cooperation and collaboration to serve its members and its mission is the new **URBAN HOMESTEAD** program. The innovative program rehabilitates dilapidated houses, sells them to credit union members, and provides permanent mortgage financing through participation loans among area credit



unions.

URBAN HOMESTEAD has several complementary goals: bringing more mortgage dollars into SCFCU's neglected urban neighborhoods, turning blighted houses into attractive homes; providing homeownership opportunities to members who may not yet meet secondary market standards, sharing the risks associated with community development lending; providing lending opportunities and a taste of community development lending to several credit unions. The complex partnerships took two years to organize and orchestrate.

Now the pilot project is complete. In January, 2003, renovation work was completed on the first house at 320 Westcott Street in Syracuse, four blocks from SCFCU's Eastside office. Once a run-down vacant eyesore, the **URBAN HOMESTEAD** program transformed the house into an appealing, single-family home.

SCFCU then helped a member family qualify for a mortgage, get homeowner education, and purchase the house. Recently emigrated from Cuba, the family moved in just days after completion, and now own one of the most attractive homes on the street. The four-bedroom house, selected in an area targeted by neighborhood planning groups, was one of several on the block in need of serious repair. By fixing up a few houses on the block as anchors, other property owners will be more likely to fix up their houses. The renovation included new kitchen and bathroom fixtures and floors, an added first-floor half bath, new roof, windows and siding, new furnace and water heater, updated electrical and plumbing, fresh paint, as well as adding a small deck in back. Landscaping was installed by volunteers drawn from several credit unions and included staff, managers, di-

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rectors and members.

Altogether, the purchase of the building and its rehabilitation and carrying costs came to more than \$113,000. After grants and subsidies and a \$500 down payment from the members, the mortgage was an affordable \$52,000.

It's a model for neighborhood revitalization that Ron Ehrenreich, SCFCU Treasurer,



now plans to replicate. The credit union is seeking resources to purchase and restore two more homes this year followed by four homes in 2004 and eight in 2005.

Other credit unions interested in this approach will have to build a local team of partners. **URBAN HOMESTEAD** had several: Home HeadQuarters, a nonprofit housing agency and NeighborWorks affiliate, supervised the construction. They purchased the home from the US Department of Housing and Urban Development (HUD). A construction financing commitment came from the Community Preservation Corporation, a not-for-profit that funnels Community Reinvestment Act (CRA) funds into low-income housing. The City of Syracuse provided grant funding through several HUD programs like HOME and the **Syracuse Neighborhood Initiative**, a program initiated by Syracuse's Congressional Representative James Walsh. Assistance with closing costs came from the nonprofit University Neighborhood Preservation Association (UNPA). Partners in mobilizing volunteers and in the participation mortgage include the Syracuse

NCUA REGIONAL WORKSHOP CALENDAR 2003



<u>DATE</u>	<u>LOCATION</u>	<u>CONTACT & TEL. #</u>
JUNE 17TH	MATTESON, IL	RUTH SIRAGUSA (630) 955-4105
JULY 8TH	KANSAS CITY, MI	ROBERT LECONTE (512) 342-5605
JULY 15TH	INDIANAPOLIS, IN	RUTH SIRAGUSA (630) 955-4105
AUGUST 9TH	HONOLULU, HI	JOHN DOCK (925) 363-6200
AUGUST 12TH	DALLAS, TX	ROBERT LECONTE (512) 342-5605
AUGUST 13TH	TOLEDO, OH	RUTH SIRAGUSA (630) 955-4105
AUGUST 20TH	LOUISVILLE, KY	CHARLES BRANDON (678) 443-3000

District Council of the New York State Credit Union League and several area credit unions including ACMG FCU, Empire FCU, ESMNS FCU, MONY FCU, and Power FCU. Planning and outreach assistance came from Eastside Neighbors in Partnership (ENIP), Westcott Community Development Corporation (Westcott CDC), and the National Federation of Community Development Credit Union's Ameri-corps*VISTA program. SCFCU member Dan Reeder and his Natural Systems Landscape Company donates their services and Evergreen Mart donated shrubbery.

To learn more about **Syracuse Cooperative Federal Credit Union** and its partners or the **URBAN HOMESTEAD** program, please contact Ron Ehrenreich at rehrenreich@syrcoopfcu.org.

Ron Ehrenreich is the CEO of
Syracuse Cooperative Federal Credit Union,
Syracuse, New York

